

**Chapter 12:
Employee Benefits**

THIRD EDITION

HUMAN RESOURCES IN HEALTHCARE

Managing for Success

Part Three | Compensation & Benefits



LEARNING OUTCOMES

After completing this chapter, you should be able to:

- Name and define each of the main pay for time not worked benefits.
- Describe each of the main insurance benefits.
- Discuss the main retirement benefits.
- Outline the main employees' services benefits.
- Explain the main flexible benefit programs.



➤ *Benefits*

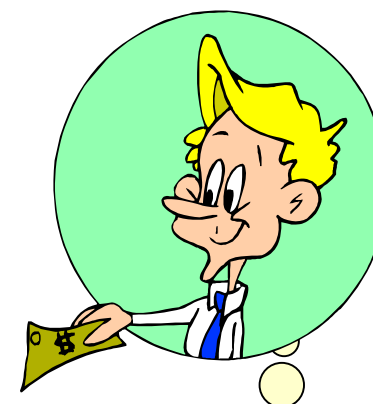
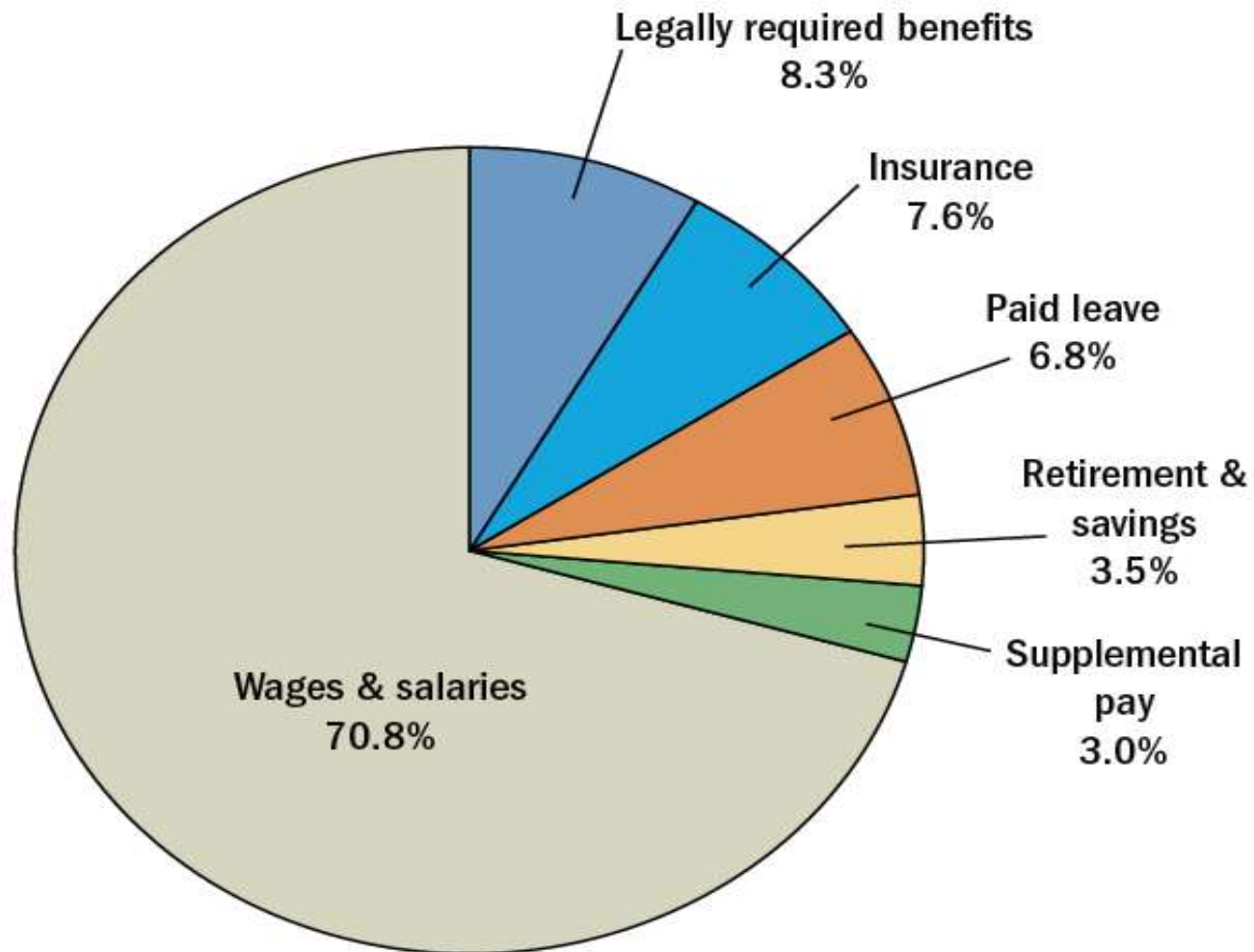
- Indirect financial and nonfinancial payments employees receive for continuing their employment with the company.

The Chief Objectives of Benefits Programs

- *Improve employee work satisfaction*
- *Meet employee health and security requirements*
- *Attract and motivate employees*
- *Reduce turnover*
- *Maintain a favorable competitive position*



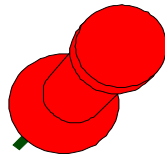
Private-Sector Employer Benefits Costs by Category, March 2009



**Represent 30%
of total payroll.**

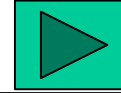


Types of Employee Benefits



- I. Pay for time not worked
- II. Insurance benefits
- III. Retirement benefits
- IV. Services





Indirect { Financial
Non-financial } Payment due to employment

Benefits & Services

Most costly

I. Pay for Time not Worked (= Supplemental pay Benefits)



(1) Unemployment Insurance

تأمين (اعانة) بطالة

(2) Vacations / Holidays



(3) Sick Leave



(4) Parental Leave & Family Medical Leave Act (FMLA)



(5) Severance Pay

مكافأة نهاية الخدمة



(6) Supplemental Unemployment Benefits eg. in downsizing

ياخذ مرتب سنة ويمشى



II. Insurance Benefits



(1) Worker's Compensation

تعويض اصابات العمل



(2) Hospital / Health / Disability Insurance

التأمين الصحي



- A. HMO (Health maintenance org)
- B. PPO (Preferred provider org)

(3) Life Insurance

التأمين علي الحياة

- A. Benefit-paid
- B. Supplemental Benefit
- C. Financing



III. Retirement Benefits



(1) Social Security

التأمينات الاجتماعية



- A. Retirement Benefit
- B. Survivor's or death
- C. Disability Payments

(2) Pension Plans

- A. Contributory vs. Non
- B. Defined benefit vs. Defined Contribution

(3) Retirement Plans

IV. Personal Services



- A. Credit unions
- B. Counseling Services
- C. EAP's
- D. Others

and Family Friendly Benefits

- A. Subsidized Child Care
- B. Elder Care
- C. Perquisites
- D. Other



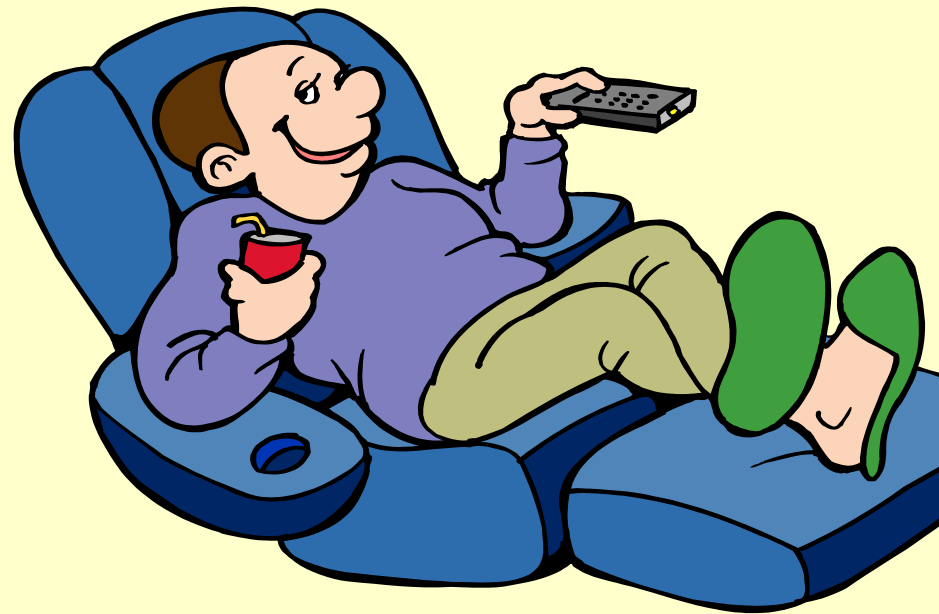
Flexible Programs

Cafeteria Approach

→ Obligatory by Law



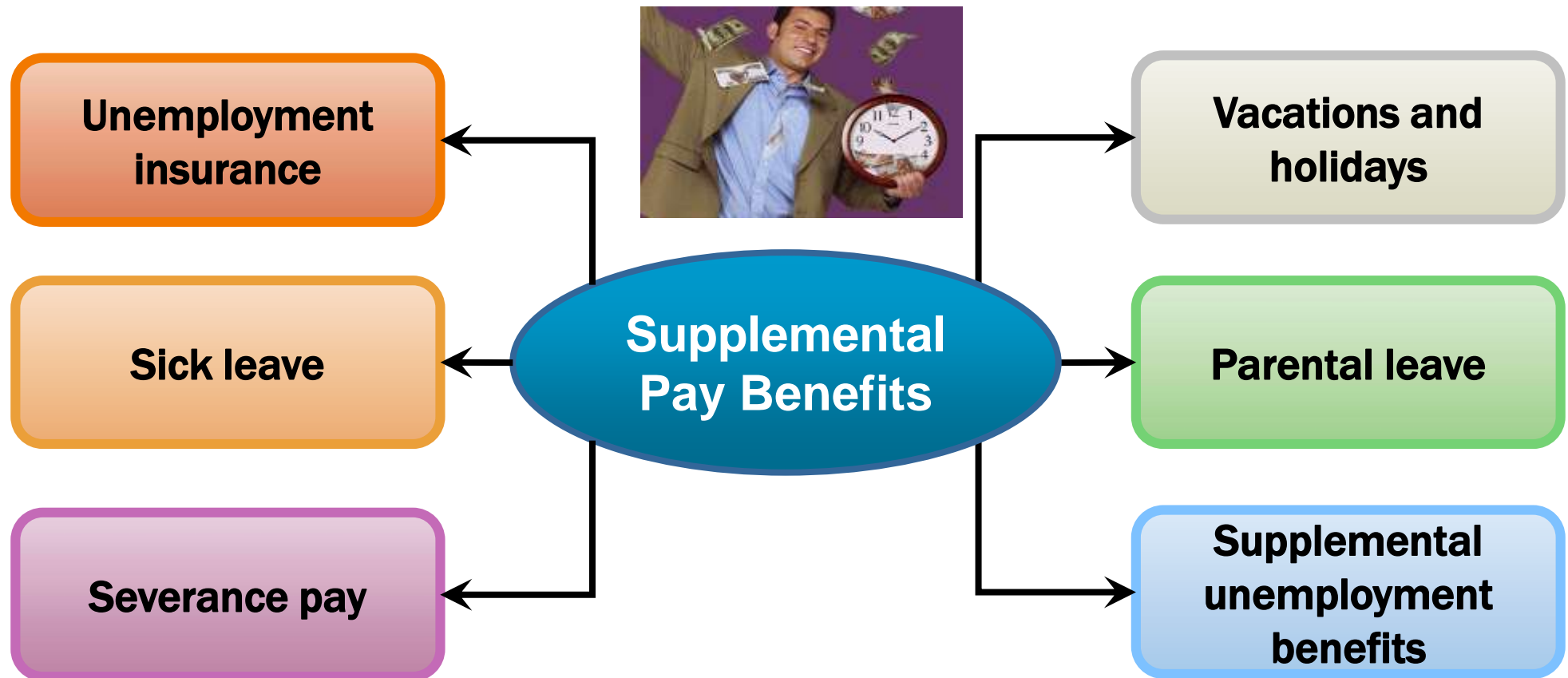
I. Pay for Time not Worked



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Pay For Time Not Worked





I. Pay for Time Not Worked

➤ 1. *Unemployment insurance* (Obligatory by law)

- Provides for benefits if a person is unable to work through no fault of his or her own.
- Not provided for people that are dismissed due to poor performance.



I. Pay for Time Not Worked

➤ 1. *Unemployment insurance* (Egyptian Labor Law)

- Officially known as the Emergency Subsidy Fund Law No. 156 of 2002, establishes a fund to compensate workers/employees whose wages are suspended due to firm closure or downsizing.
- The Fund's resources come from a 1 % deduction from the base salaries of the employee in firms with over 30 workers, a government contribution, and other donations.



I. Pay for Time Not Worked

➤ 1. *Unemployment insurance* (Obligatory by law)

How to reduce unemployment payouts by the employer ?

1. Keep documentary history of lateness, absence and warning notices.
2. Warn chronically late employees before discharging.
3. Have a policy that 3 days of absence without calling is a reason for automatic discharge.
4. Request doctor's note on return to work after absence.
5. Make written approval for personal leaves mandatory.
6. Set probationary periods to evaluate new employees.



I. Pay for Time Not Worked

➤ 2. *Vacations and holidays (Egyptian Labor Law)*

- Annual Leaves depends upon the years of service.
 - 21 days for those spending 1 full year in service.
 - 30 days after completing 10 years of service with one or more employer or over 50 years of age.
- In all cases, annual leave will be increased by 7 days for the workers engaged in hard, dangerous, unpleasant works or remote areas.



I. Pay for Time Not Worked

➤ 2. Vacations and holidays (Egyptian Labor Law)

– Public Holidays (14 days)

➤ وبذلك تصبح أيام الأجازات الرسمية التي يحصل عليها العامل بأجر كامل كل عام، على النحو التالي:

- 1- اليوم الأول من شهر محرم (عيد رأس السنة الهجرية).
- 2- اليوم الثاني عشر من شهر ربيع الأول (المولد النبوي الشريف).
- 3- اليومان الأول والثاني من شهر شوال (عيد الفطر).
- 4- الأيام التاسع والعاشر والحادي عشر من شهر ذي الحجة (الوقوف بعرفات وأول وثاني أيام عيد الأضحى).
- 5- اليوم السابع من يناير (عيد الميلاد المجيد).
- 6- اليوم الخامس والعشرون من يناير (عيد الشرطة).
- 7- يوم شم النسيم.
- 8- اليوم الخامس والعشرون من أبريل (عيد تحرير سيناء).
- 9- اليوم الأول من مايو (عيد العمال).
- 10- اليوم الثالث والعشرون من شهر يوليو (عيد الثورة).
- 11- اليوم السادس من شهر أكتوبر (عيد القوات المسلحة).





I. Pay for Time Not Worked (cont'd)

➤ 3. *Sick leave*

- Provides pay to an employee when he or she is out of work because of illness.
 - Costs for misuse of sick leave
 - Pooled paid leave plans





I. Pay for Time Not Worked (cont'd)

➤ 3. *Sick leaves* (Egyptian Labor Law)

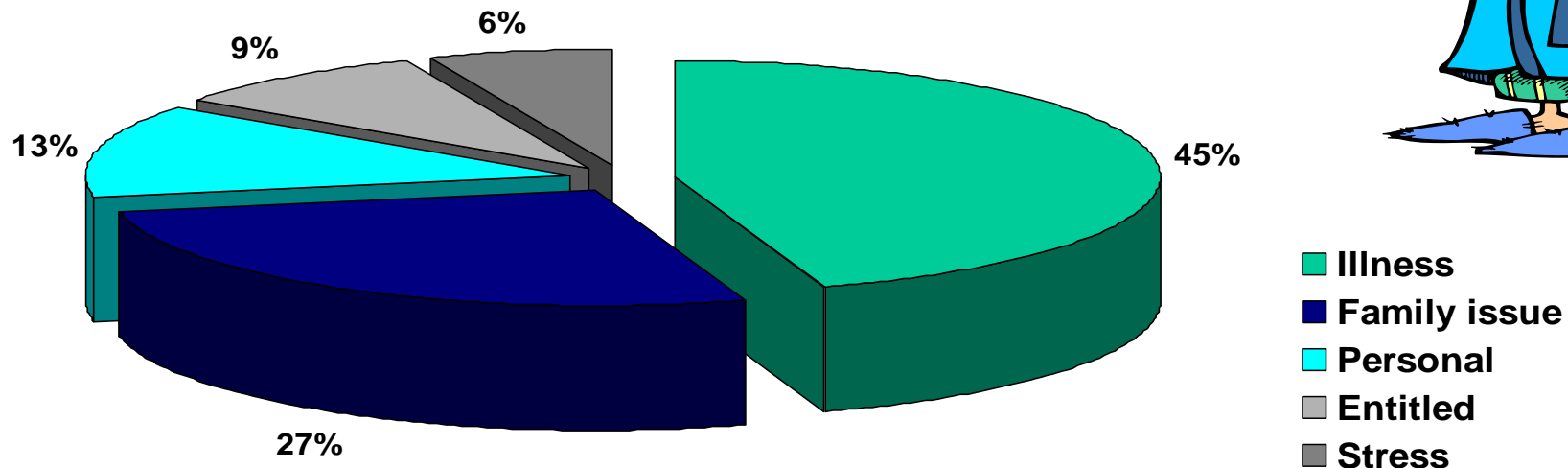
- An employee whose sickness is established and determined by the concerned medical responsible is entitled to sick leave, and shall be compensated according to the Social Insurance Law (up to six months of paid sick leave annually at between 75% and 100% of the employee's normal wage).



I. Pay for Time Not Worked (cont'd)

➤ 3. Sick leave

- Paid time off (PTO) reduces the use of sick leave for non-illness.
- Marriott program: employees can trade value of sick leave for other benefits.



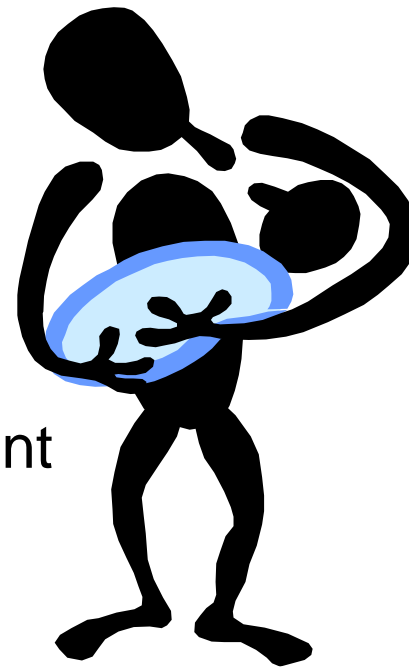


I. Pay for Time Not Worked (cont'd)

➤ 4. *Parental leave* (Obligatory by law)

– The Family Medical Leave Act of 1993 (FMLA)

- Employers of 50 or more employees must provide 12 weeks of unpaid leave for birth or care for a sick spouse or a parent.
- Up to 12 weeks of unpaid leave within a one-year period
- Employees must take unused paid leave first.
- Employees on leave retain their health benefits.
- Employees have the right to return to their job or equivalent position.





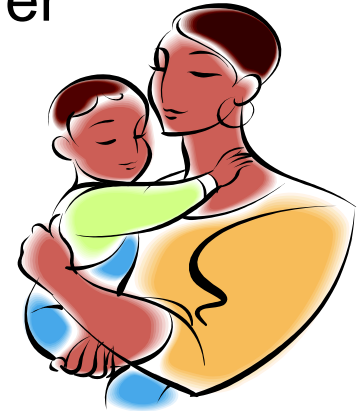
➤ 4. *Parental leave*

– Maternity leave (Egyptian Labor Law)

- 90 days fully paid
- After 10 months service with the same employer
- 1 hour breast-feeding for 24 months
- Twice during service

– Pilgrimage (Egyptian Labor Law)

- Up to one month fully paid
- One time eligibility
- After 5 years of service with the same employer



I. Pay for Time Not Worked (cont'd)

➤ 5. *Severance pay*

- A one-time payment when terminating an employee.
- Reasons for granting severance pay:
- Usually 1 week severance pay for each year worked, given as lump sum.





I. Pay for Time Not Worked (cont'd)

➤ 6. *Supplemental unemployment benefits (SUB)*

- Payments that supplement the employee's unemployment compensation.
 - The employer makes contributions to a reserve fund from which SUB payments are made to employees for the time the employee is out of work due to:
 - layoffs (firing)
 - reduced workweeks
 - relocations



II. Insurance Benefits



1. **Workers' Compensation**
2. *Hospitalization, health, and disability insurance*
3. *Life insurance*



II. Insurance Benefits

➤ 1. *Workers' compensation* (Obligatory by law)

- Provides income and medical benefits to work-related accident victims or their dependents, regardless of fault.
 - Death or disability: a cash benefit based on earnings per week of employment.
 - Specific loss injuries: statutory (legal) list of losses
- Controlling worker compensation costs
 - Screen out accident-prone workers.
 - Make the workplace safer.
 - Thoroughly investigate accident claims.
 - Use case management to return injured employees to work ASAP





II. Insurance Benefits (cont'd)

➤ 2. *Hospitalization, health, and disability insurance*

- Provide for loss of income protection and group-rate coverage of basic and major medical expenses for off-the-job accidents and illnesses.

- Accidental death and dis-memberment
- Disability insurance





II. Insurance Benefits (cont'd)

Cost-Saving Strategies

➤ *2A. Health maintenance organization (HMO)*

- A medical organization consisting of specialists operating out of a community-based health care center.
 - Provides routine medical services to employees who pay a nominal fee.
 - Receives a fixed annual contract fee per employee from the employer (or employer and employee), regardless of whether it provides that person with service.



II. Insurance Benefits (cont'd)

Cost-Saving Strategies

➤ *2B. Preferred provider organizations (PPOs)*

- Groups of health care providers that contract to provide medical care services at reduced fees.
 - Employees will only pay a discounted rate ONLY when they use the service.
 - Employees can select from a list of preferred individual health providers.



II. Insurance Benefits (cont'd)

➤ 3. Life insurance



➤ Employers must address policy issues of:

- **Benefits-paid schedule**: as amount of life insurance is tied to employee's annual earnings
- **Supplemental benefits**: continued life insurance after retirement.
- **Financing**: amount & percent that employee contributes.



III. Retirement Benefits

1. **Social Security**
2. Pension Plans
3. Retirement Plans
(Pension alternatives)





III. Retirement Benefits

1. Social Security (Obligatory by law)

- Paid by both the employee and the employer on the employee's wages

➤ **Provides 3 types of benefits:**

- **Retirement benefits**: provide income for people retired at age of (62) or thereafter and are insured under social security act.
- **Survivor's or death benefits**: provide monthly payments to employee's dependents regardless of the employee's age at death.
- **Disability payments**: provide monthly payments to totally disabled employees and (their dependents)





III. Retirement Benefits

1. The Social Security and Public Health Insurance (Egyptian Labor Law)

- Employers and employees must pay social insurance contributions (applicable only on Egyptian employees).
- Monthly basic salary up to LE 1012.5, at 26% and 14% for employer and employee, respectively.
- Variable pay (allowances, overtime, incentives) up to LE 1830 monthly, at 24% and 11% for employer and employee, respectively.



III. Retirement Benefits (cont'd)

2. Pension Plans

- Plans that provide a fixed sum when employees reach retirement age or when they can no longer work due to disability.
- Half of full time workers participate in pension plan
- Pension Plans classified as:
 - 1) *Contributory vs. Non Contributory*
 - 2) *Defined benefit vs. defined contribution*



Types of Pension Plans

➤ *Contributory plan*

- Contributions to a plan are made jointly by employees and employers.

➤ *Noncontributory plan*

- Contributions to a plan are made solely by the employer.

➤ *Defined-benefit plan*

- The amount an employee is to receive upon retirement is specifically set forth.

➤ *Defined-contribution plan*

- The amount an employer contributes to the pension fund is specified.



Pension Planning



➤ *ERISA (Employee Retirement Income Security Act) – guarantees employee's rights.*

- Until ERISA the employer's contribution in many pension plans didn't vest until the employee retired.
- You may could have worked for a company for 30 years and been left with no pension if the company went out of business one year before you were to retire.
- That generally can't happen today.





III. Retirement Benefits (cont'd)

3. *Pension alternatives (Trends)*

A. Early retirement windows

- Type of offering by which employees (50 or above) are encouraged to voluntarily retire early with pension benefit + cash payment as an incentive.

B. Increasing portability

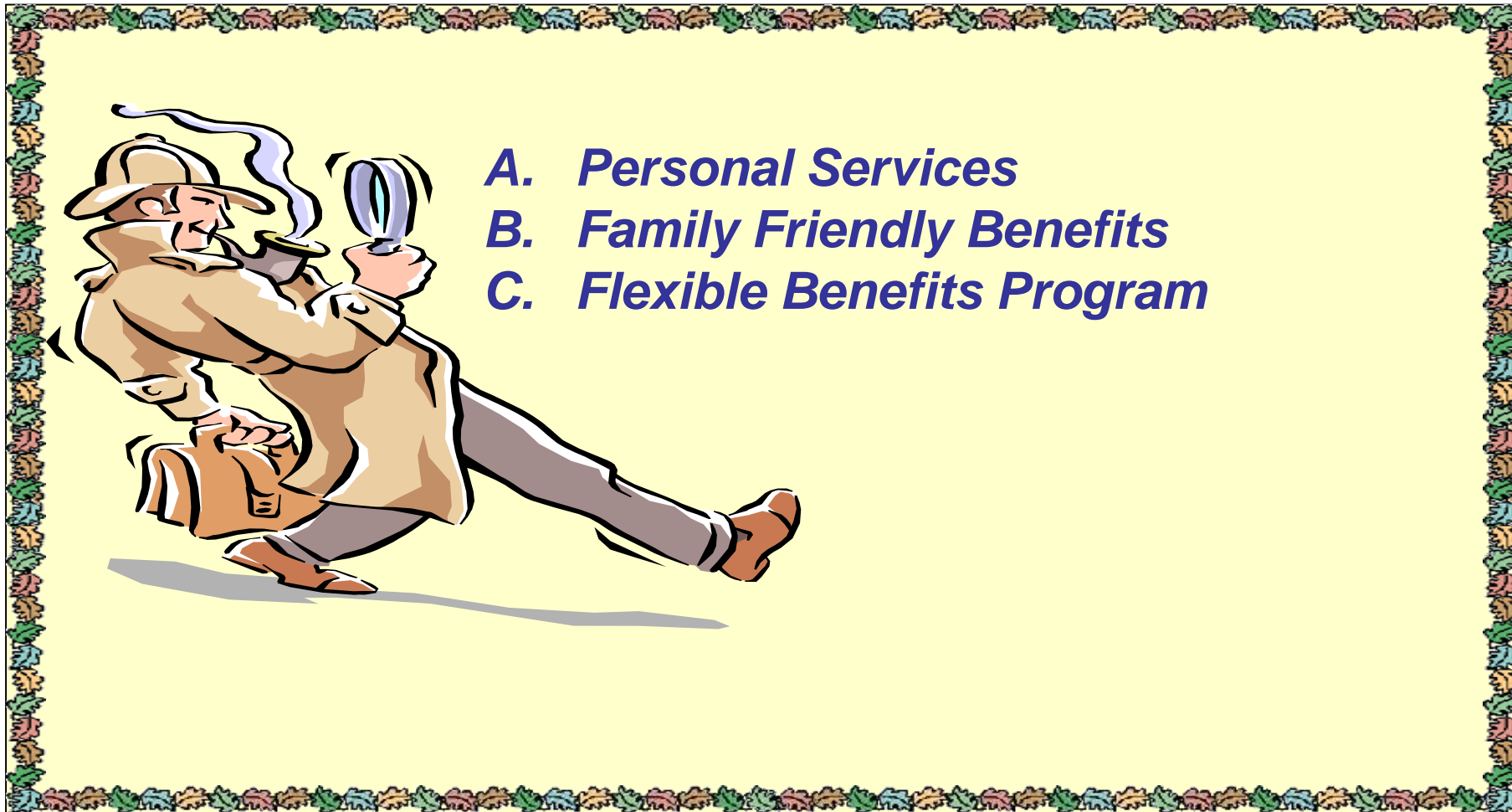
- Defined benefit plans to defined contribution plans
- Allows workers who leave the firm before retirement to receive initial benefits at a younger age.

C. Cash balance pension plans

- Defined benefit plan in which the employer contributes a percentage of employees' current pay to the pension plan every year, and employees earn interest on this amount.



4. Personal Services



- A. Personal Services*
- B. Family Friendly Benefits*
- C. Flexible Benefits Program*



4.A Personal Services

➤ 1. *Credit unions*

- Separate businesses established with the employer's assistance to help employees with their borrowing and saving needs.

➤ 2. *Employee assistance programs (EAPs)*

- Provide counseling and advisory services:
 - Personal legal and financial services
 - Child and elder care referrals
 - Adoption assistance
 - Mental health counseling
 - Life event planning



4.B Family-Friendly Benefits (work / life benefits)

- *On-site or subsidized child care*
- *Elder care*
- *Fitness and medical facilities*
- *Food services*
- *Educational subsidies*
- *Loan programs for home office equipment*
- *Stock options*
- *Trauma counseling*





Executive Perquisites

- *Management loans*
- *Golden parachutes*
- *Financial counseling*
- *Relocation benefits*
- *Severance pay*
- *Company cars*
- *Chauffeured limousines*
- *Security systems*
- *Credit cards*
- *Company planes & yachts*
- *Executive dining rooms*
- *Physical fitness programs*
- *Legal services*
- *Tax assistance*
- *Expense accounts*
- *Club memberships*
- *Season tickets*
- *Children's education*





4.C Flexible Benefits Programs

- *The cafeteria (flexible benefits) approach*
 - Each employee is given a benefits fund budget to spend on the benefits he or she prefers.
 - The fund limits the total cost for each benefits package.
 - **Core plus option plans** establish a core set of benefits which are mandatory for all employees.

Flexible Work Arrangements

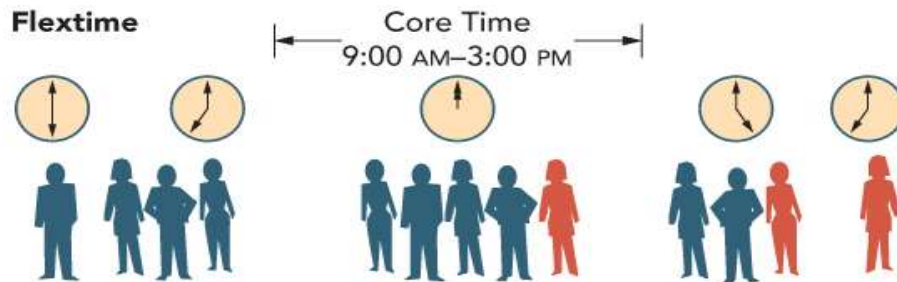
➤ *Flextime*

- A plan whereby employees' workdays are built around a core of mid-day hours when all workers are required to be present.
- Workers can arrange their own starting and stopping hours before and after the core period.
 - Positive effects on employee productivity, job satisfaction, satisfaction with work schedule, and employee absenteeism.
 - Positive effect on absenteeism was much greater than on productivity.



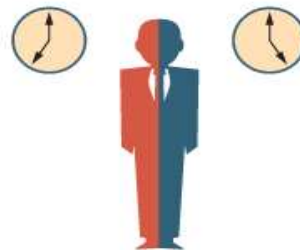
Flexible Work Schedules

Flextime



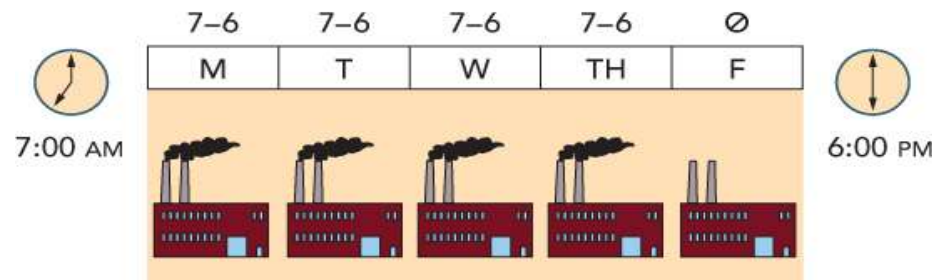
IBM permits a meal break of up to two hours so employees can do personal tasks.

Job Sharing



Two lawyers, both fathers, share the job of assistant general counsel at Timberland.

Compressed Workweek



All employees of Red Dot Corporation have the option of working 10 hours per day, Monday through Thursday.



Flexible Work Arrangements (cont'd)

➤ *Compressed workweeks*

– Increase productivity

- Less disruption from shift changes
- Longer time-off-work periods
- Reduced absenteeism

– Longer workdays; fewer workdays:

- Four-day workweeks, with four 10-hour days.
- Two days on, two days off, three days on, then two days off, two days on, and so forth.
- Three 12-hour shifts, and then off for the next four days.



Other Flexible Work Arrangements

➤ *Job sharing*

- Allowing two or more people to share a single full-time job.

➤ *Work sharing*

- A temporary reduction in work hours by a group of employees during economic downturns as a way to prevent layoffs.

➤ *Telecommuting*

- Employees work at home using telephones and the Internet to transmit letters, data, and completed work to the home office.



Home Assignment

1. Name and define each of the main pay for time not worked benefits.
2. Describe each of the main insurance benefits.
3. Discuss the main retirement benefits.
4. Explain the main flexible benefit programs.